

COLORADO ECONOMIC SECURITY & AI WORKFORCE TRANSITION ACT

ADDENDUM: Section 3.7 - Healthy Colorado Food Policy

TO BE INSERTED AFTER SECTION 3.6 (FUNDING SOURCES)

3.7 Healthy Colorado Food Policy

(a) Legislative Findings:

The General Assembly finds that:

1. Colorado faces significant public health challenges including rising rates of obesity, diabetes, and cardiovascular disease;
2. Healthcare costs are driven significantly by preventable diet-related diseases;
3. Healthy food is often more expensive than unhealthy food, creating barriers for families facing financial hardship;
4. A health-based food pricing system can simultaneously generate revenue for healthcare while improving public health outcomes;
5. Evidence from other jurisdictions demonstrates that health-based food pricing reduces consumption of unhealthy items and improves dietary choices;
6. Making healthy food affordable and accessible to all Colorado residents is essential to the success of the Care Without Fear system;
7. Prevention is more cost-effective than treatment, and dietary intervention is one of the most impactful prevention strategies available.

(b) Purpose:

This Section establishes a health-based food pricing system that:

- Generates revenue for the Care Without Fear system
- Reduces consumption of foods contributing to chronic disease
- Makes healthy food affordable and accessible to all Colorado residents
- Prioritizes support for families facing economic hardship

- Reduces long-term healthcare costs through improved public health

(c) Health-Impact Food Taxes:

1. Sugary Beverage Tax:

(i) Rate: 2 cents per fluid ounce

(ii) Applicable Products:

- Carbonated soft drinks with added sugar
- Energy drinks with added sugar
- Sweetened tea and coffee beverages
- Sports drinks with added sugar
- Fruit drinks with less than 70% real fruit juice
- Any beverage with added caloric sweeteners

(iii) Exemptions:

- 100% fruit or vegetable juice
- Milk and milk-based beverages
- Beverages with no caloric sweeteners (diet drinks)
- Infant formula
- Medical nutritional supplements
- Alcoholic beverages (separately taxed)

(iv) Collection: Tax collected at wholesale/distributor level, passed through to retail price

(v) Estimated Revenue: \$150-200 million annually

2. High-Sugar High-Fat Food Tax:

(i) Rate: 8% additional sales tax (added to existing state/local sales tax)

(ii) Applicable Products: Foods meeting ANY of the following criteria:

- More than 20% of calories from added sugars
- More than 35% of calories from saturated fat
- Minimal nutritional value (less than 5% daily value of essential nutrients per serving)

Categories typically included:

- Candy and confections
- Potato chips and cheese puffs
- Cookies, pastries, and sweet baked goods
- Ice cream and frozen desserts (non-dairy alternatives with similar profiles)
- Sugar-sweetened cereals

(iii) Exemptions:

- Foods with significant nutritional content (nuts, nut butters, cheese, dark chocolate 70%+)
- Baked goods made fresh in-store bakeries (local small businesses)
- Products specifically designed for medical or dietary needs

(iv) Estimated Revenue: \$100-150 million annually

3. Ultra-Processed Food Tax:

(i) Rate: 5% additional sales tax

(ii) Applicable Products: Ultra-processed foods as defined by NOVA classification system, including:

- Instant noodles and soups
- Frozen prepared meals with minimal whole food content
- Reconstituted meat products (nuggets, processed patties)
- Mass-produced packaged snacks with industrial ingredients
- Shelf-stable meals with extensive preservatives and additives

(iii) Exemptions:

- Canned/frozen vegetables and fruits (minimally processed)
- Whole grain pasta and rice products
- Plain frozen proteins
- Minimally processed convenience items (pre-cut vegetables, bagged salads)
- Products from small-scale local food producers (fewer than 3 locations)

(iv) Estimated Revenue: \$75-100 million annually

4. Chain Restaurant Prepared Food Tax:

(i) Rate: 3% additional sales tax on prepared food

(ii) Applicable Establishments:

- Restaurant chains with 10 or more locations nationally
- Fast food and quick-service restaurants
- Large-scale food court vendors

(iii) Exemptions:

- Locally-owned restaurants (fewer than 10 locations)
- Sit-down table-service restaurants
- Salad bars and made-to-order healthy options within taxed establishments
- Grocery store delis and prepared food sections
- Non-profit food service (hospitals, schools)

(iv) Estimated Revenue: \$80-120 million annually

(d) Total Projected Revenue from Health-Impact Taxes:

Estimated annual revenue: **\$405-570 million**

(e) Healthy Food Access and Affordability Program:

1. Complete Sales Tax Exemption:

The following foods shall be exempt from ALL state and local sales taxes:

(i) Fresh Produce:

- All fresh fruits and vegetables
- Pre-cut and packaged fresh produce
- Frozen fruits and vegetables without added sugar or sauce
- Dried fruits without added sugar

(ii) Whole Grains:

- Brown rice, quinoa, oats, barley, millet
- Whole wheat bread, pasta, and tortillas
- Whole grain cereals with minimal added sugar

(iii) Lean Proteins:

- Fresh or frozen chicken breast, turkey, fish
- Dried beans, lentils, and legumes
- Tofu and tempeh
- Eggs

(iv) Healthy Dairy:

- Low-fat milk (1% or skim)
- Plain yogurt
- Low-fat cheese

(v) Nutritious Staples:

- Unsalted nuts and seeds
- Olive oil and other healthy cooking oils
- Herbs, spices, and seasonings without added sugar/salt
- Whole grain flours

2. Point-of-Sale Healthy Food Subsidy:

(i) Eligibility: Recipients of:

- SNAP/EBT benefits
- WIC benefits
- Care Without Fear services at reduced/community-service contribution level
- Household income below 200% of federal poverty level

(ii) Benefit: 50% discount on all tax-exempt healthy foods listed in Section 3.7(e)(1)

(iii) Implementation:

- Automatic discount at checkout when eligible card used
- Integrated with existing SNAP/EBT infrastructure
- No additional paperwork or stigma
- Applies at all participating grocery stores and farmers markets

(iv) Estimated Cost: \$100-125 million annually

3. Fresh Food Access Program:

(i) Monthly Produce Box:

Eligible Recipients:

- Care Without Fear participants with household income below 150% federal poverty level
- Families with children under 18
- Seniors age 65+
- Individuals with chronic diet-related conditions (diabetes, heart disease, hypertension)

Contents:

- 15-20 pounds of fresh seasonal produce
- Mix of fruits and vegetables
- Sourced from Colorado farms when available
- Nutritional information and recipe cards included

Distribution:

- Pick-up at community centers, libraries, food banks
- Home delivery for seniors and disabled individuals
- No cost to recipients
- Dignified distribution (not charity-model, presented as healthcare benefit)

(ii) Basic Staples Program:

Eligible participants may receive monthly allotment of:

- Whole grains (rice, oats, pasta) - 5 pounds
- Dried beans and lentils - 3 pounds
- Eggs - 1 dozen
- Cooking oil - 1 bottle
- Basic seasonings

(iii) Estimated Cost: \$50-75 million annually

4. Farmers Market Matching Program:

(i) SNAP/EBT benefits used at Colorado farmers markets receive **dollar-for-dollar match** up to \$20 per market visit

(ii) Encourages purchase of fresh local produce

(iii) Supports Colorado farmers and agricultural economy

(iv) Estimated Cost: \$10-15 million annually

5. School Healthy Lunch Enhancement:

(i) All school breakfast and lunch programs receive supplemental funding to:

- Eliminate "a la carte" junk food options
- Increase fresh fruit and vegetable offerings
- Provide free meals to all students (universal school meals)
- Source from Colorado farms when possible

(ii) Estimated Cost: \$40-50 million annually

(f) Total Cost of Healthy Food Access Programs:

Estimated annual cost: **\$200-265 million**

(g) Net Revenue to Care Without Fear System:

Gross Revenue from Health-Impact Taxes: \$405-570 million

Minus: Cost of Healthy Food Programs: \$200-265 million

Net Revenue: \$205-305 million annually

Additional to Care Without Fear funding, supporting healthcare services and reducing long-term costs through prevention.

(h) Administration and Implementation:

1. Lead Agency:

- Department of Revenue: Tax collection and enforcement
- Department of Public Health and Environment: Nutritional standards and program oversight
- Department of Human Services: Distribution programs coordination

2. Food Classification Standards:

(i) Department of Public Health and Environment shall establish clear, science-based criteria for food classification

(ii) Standards based on:

- Nutritional content (calories, sugar, fat, protein, vitamins, minerals)
- NOVA food processing classification system
- Consultation with registered dietitians and nutritionists
- Review and update every 2 years based on nutrition science

(iii) Public database of taxed vs. tax-exempt foods maintained online

(iv) Retailers receive clear guidance and technical assistance

3. Retailer Compliance:

(i) Point-of-sale systems automatically apply correct tax rates

(ii) State provides technical assistance for small retailers

(iii) Quarterly reporting and remittance

(iv) Penalties for non-compliance:

- First violation: Warning and education
- Second violation: \$500 fine
- Subsequent violations: \$1,000 per violation
- Willful evasion: Loss of business license

4. Public Education Campaign:

(i) "Healthy Colorado Choices" public awareness program

(ii) Clear signage in stores indicating tax-exempt healthy foods

(iii) Nutrition education materials at distribution sites

(iv) Cooking classes and recipe resources for program participants

(v) Estimated cost: \$5-10 million annually (included in administration)

(i) Anti-Circumvention Provisions:

1. Cross-Border Purchases:

(i) Tax applies to all sales within Colorado regardless of buyer residency

(ii) No exemption for bulk purchases intended for resale outside Colorado

(iii) Online retailers must collect tax on deliveries to Colorado addresses

2. Product Reformulation Incentive:

(i) Manufacturers encouraged to reformulate products to meet healthy standards

(ii) Products reformulated to avoid tax thresholds automatically reclassified

(iii) Creates market incentive for healthier product development

3. Restaurant Compliance:

(i) Chain restaurants must clearly indicate which locations are subject to tax

(ii) Franchise locations count toward chain total

(iii) Tax applies to all prepared food from qualifying establishments

(j) Monitoring and Evaluation:

1. Annual Public Health Assessment:

Track and report annually:

- Consumption patterns for taxed vs. tax-exempt foods
- Obesity, diabetes, and cardiovascular disease rates
- Healthcare cost trends related to diet-related conditions
- Program participation and satisfaction
- Revenue generation and program costs

2. Economic Impact Study:

Assess every 3 years:

- Impact on grocery retailers
- Impact on restaurants
- Food security improvements
- Employment effects in healthy food sector
- Colorado agricultural sector benefits

3. Tax Rate Adjustment:

(i) Legislature may adjust tax rates based on:

- Effectiveness in changing consumption patterns
- Revenue needs for Care Without Fear
- Economic impacts on businesses and consumers
- Public health outcome data

(ii) Rates may be increased or decreased by up to 50% without new legislation

(iii) Any increase beyond 50% requires new legislative approval

(k) Sunset and Review:

1. Program Review:

- Comprehensive evaluation after 5 years
- Assessment of public health outcomes
- Revenue adequacy review
- Program efficiency analysis

2. No Automatic Sunset:

- Program continues indefinitely unless repealed
- Legislative review required every 5 years
- Modifications based on evidence and outcomes

(l) Coordination with Federal Programs:

1. SNAP/EBT Integration:

- Seamless integration with federal nutrition assistance
- No reduction in federal benefits due to state programs
- Supplemental, not replacement, of federal support

2. WIC Coordination:

- WIC-eligible items automatically tax-exempt
- Enhanced benefits for WIC participants
- Coordinated nutrition education

3. School Lunch Programs:

- Supplements federal school lunch funding
- Meets or exceeds federal nutritional standards
- Universal free meals regardless of federal reimbursement

(m) Protection of Small Businesses:

1. Local Business Exemptions:

- Locally-owned restaurants (fewer than 10 locations) exempt from prepared food tax
- In-store bakeries exempt from high-sugar tax
- Small-scale food producers (fewer than 3 locations) exempt from ultra-processed tax

2. Technical Assistance:

- Free point-of-sale system updates for small retailers
- Compliance assistance and education
- Grace period for implementation (6 months)

3. Local Food Promotion:

- Preference for Colorado-grown produce in distribution programs
- Farmers market support and promotion
- Grants for local food infrastructure

(n) Legal Provisions:

1. Preemption:

- State law preempts conflicting local ordinances
- Localities may adopt more stringent health-based food policies
- Localities may not prohibit or undermine state program

2. Constitutional Compliance:

- Structured to comply with Colorado TABOR requirements
- Subject to voter approval if required
- Exemptions structured as tax expenditures, not spending

3. Interstate Commerce:

- Complies with Commerce Clause requirements
- Applies equally to in-state and out-of-state products
- No discrimination based on state of origin

(o) Funding Summary for Section 3.7:

Revenue:

- Sugary beverage tax: \$150-200M
- High-sugar high-fat food tax: \$100-150M
- Ultra-processed food tax: \$75-100M
- Chain restaurant tax: \$80-120M
- **Total Revenue: \$405-570M annually**

Expenditures:

- Point-of-sale healthy food subsidy: \$100-125M
- Fresh food access program: \$50-75M
- Farmers market matching: \$10-15M
- School lunch enhancement: \$40-50M
- Administration and education: \$10-15M
- **Total Expenditures: \$210-280M annually**

Net Contribution to Care Without Fear: \$195-290M annually

Additional Benefits:

- Reduced long-term healthcare costs (estimated \$50-100M annually within 5 years)
- Improved public health outcomes
- Support for Colorado agriculture
- Enhanced food security for families facing economic hardship

END OF SECTION 3.7

Note: This section should be inserted after Section 3.6 (Funding Sources) and before Section 4 (AI Workforce Protection Framework). All subsequent section numbers remain unchanged.

Update to Section 3.6: Add the following bullet point to the list of funding sources:

"(h) Health-impact food taxes and healthy food policy net revenue (Section 3.7)"

Update to Section 11.5 (Funding Summary): Add to Annual Recurring Revenue:

"- Health-based food policy (net): ~\$195-290M"

Updated Total Annual Revenue: \$7.2-7.3B

Drafted by the Office of MaveriQ B Jackson

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